



Congestion Management Work Group Report to the RRG

Major Open Issues

August 23-25, 2000



Outline of Presentation

- **Overview of Open Issues**
- **Open Issues on Pre-existing Contacts and Obligations (PECs)**
 - Entitlements to Firm Transmission Rights (FTRs)
 - Duration of Rights
 - Treatment of Load Growth
 - Rules for Over Allocation of Flow Paths
 - Feasible Dispatch Options
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 - Appeal Process Issue
- **Questions / Consensus Discussion**



Overview of the Issues

- **Originate from the conversion of Transmission Rights from Pre-existing Contracts and Obligations**
- **Firm Transmission Rights (FTRs) are new instruments of the RTO**
- **Drivers behind Issues: Market Liquidity, Equity in Allocation, Load Service Obligations, etc.**

Issue: Entitlement to Firm Transmission Rights

Description: FTRs define a right to schedule across a congested path. As a new instrument, it does not exist in the under the current vertically integrated transmission market. Question is “what allocation is given to a transmission user during the annual auction?”

Background: The principles and processes for determining the appropriate allocations of FTRs have not yet been finalized and are dependent on resolutions of other Pre-Existing Contracts and Obligations issues. However, the allocation process has been determined, the next question is form in which the FTR is received: the actual FTR, the auction revenue, or a combination of the two.



Issue: Entitlement to Firm Transmission Rights (continued)

Alternatives:

- 1) The transmission customer may elect to receive either FTRs or the auction revenues associated with those FTRs.
- 2) The transmission customer shall receive the auction revenues associated with those FTRs.
- 3) The transmission customer may elect to receive either FTRs or the auction revenues associated with those FTRs; provided that if the transmission customer would be entitled to receive more than 10% of the FTRs on a flowpath, the transmission customer must participate in the auction.



Issue: Entitlement to Firm Transmission Rights (continued)

Alternatives:

4) Same as 3) but with; transmission customer entitled to receive more than 10% of the FTRs on a flowpath, the transmission customer must participate in the auction by indicating the price(s) at which the transmission customer would be willing to sell those FTRs in the RTO-W's auction and the price at which the customer would be willing to buy additional FTRs. The buy and sell prices may differ by no more than [10 percent].



**Issue: Entitlement to Firm Transmission Rights
(continued)**

Alternatives:

- 5) Each utility's regulator would decide whether the utility's FTRs will be held out of the auction or be put into the auction and sold to the highest bidder.

Issue: Duration of Rights

Description: Rights to use RTO transmission facilities are associated with Pre-existing Contracts (PECs) and Load Service Obligations (LSOs) with service commencement dates prior to the RTO Grandfathering date. **Such rights will be honored for the duration of the contract or obligation.** (Emphasis added).

Background: The above stated principle does not define the phrase “the duration of the contract”. The workgroup has not arrived at a common definition of the duration of rights arising from pre-existing contracts, for the purpose of honoring a given pre-existing contract.

Issue: Duration of Rights (continued)

1. Strawman Proposal:

Explicit roll-over rights will be honored;

PTOs *may* deny roll-over rights if the transmission contract provides the PTO with the option to do so; and

Pre-Order 888 contracts and Order 888 Open Access contracts associated with firm power service to statutory requirements loads (including third party transmission contracts necessary to meet load service obligations) are deemed to include transmission rollover rights that shall be honored so long as such rollover rights are exercised

Issue: Duration of Rights (continued)

2. Alternative Proposal

Explicit roll-over rights will be honored; and

PTOs *shall* deny roll-over rights if the transmission contract provides the PTO with the option to do so.

Issue: Treatment of Load Growth

Description: PECs and LSOs will be reevaluated each year prior to the annual FTR auction due to:

- a) Changes in transmission system topology (changes in FDFs used to determine FTRs)
- b) The development of new commercial flow paths.
- c) This analysis will include known changes and measurable changes in explicit contract demands.

Will unencumbered FTRs required by annual load growth up to the existing TTC be allocated to the PEC or LSO rights holder prior to the annual auction?

Issue: Treatment of Load Growth (continued)

Alternatives:

- 1) If unencumbered FTRs exist on a flowpath, these will be assigned up to existing TTC on the flowpath annual load growth of PEC (where PEC rights provide for load growth) or LSO rights holders prior to each year's annual auction
- 2) Rights holders for PECs and LSOs must buy FTRs for load growth in the RTO auction.



Issue: Rules for Over Allocation of Flowpaths

Description:

The RTO Congestion Management Workgroup has agreed that there is a real possibility that Firm Transmission Rights (FTRs) allocation process will result an over allocation of FTRs on some flow paths. Thus rules must be established to address this over allocation.

Four alternatives have been proposed and debated. Two alternatives (alternatives 1 and 3) reduce the FTRs to meet the capabilities of the flow paths prior to the assignment of FTRs. The other two alternatives require the RTO resolve any residual congestion, where load diversity is expected to simplify the task.

Issue: Rules for Over Allocation of Flowpaths (continued)

Alternatives:

- 1) Before rights are assigned, FTR rights will be reduced pro rata based on feasible as described in the rules for conversion of Pre-Existing Contracts (PECs) and Load Serving Obligations (LSOs).
- 2) RTO will buy back FTR rights at day-ahead scheduling or real-time.
- 3) FTR rights will be allocated based on PEC terms and conditions
- 4) The RTO should use both alternative 1 and 2 as tools to manage the over subscription of flow paths.



Issue: Feasible Dispatch Options

Description: The RTO Congestion Management Workgroup has agreed to a number of rules to convert Pre-Existing Contracts (PECs) and Load Service Obligations (LSOs). One of the rules is:

5) Flow Distribution Factors (FDFs) will be used to translate PEC and LSO rights into FTRs across the designated flowpaths by using a load flow program reflecting a particular dispatch arrangement.

Given item 5 above, the workgroup sought to define the feasible dispatch options that would be permitted for determining FTRs. Three alternatives have been proposed, where Alternative 1, having been the initial proposal, remains as part of the strawman

Issue: Feasible Dispatch Options (continued)

Alternatives:

- 1) At the contract holder's choice, they could choose one or two (HLH/LLH) feasible dispatches. If two dispatches are chosen, FTRs are assigned on a HLH/LLH basis. If one dispatch is chosen, rights are uniform throughout the month.
- 2) Two feasible dispatches (on/off peak) for each month (total of twenty four) consistent with PECs and LSOs terms and conditions.
- 3) Multiple feasible dispatches (on/off peak) for each month consistent with PECs and LSOs terms and conditions.



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Questions / Consensus Discussion



Issue: Appeal Process Issue

Description: The RTO Congestion Management Workgroup has agreed on the need for a process for appeal, verification, and resolution of claims in rights conversion. This process applies not only to the conversion of pre-existing contracts but also to assignment of existing rights for load service and inter-RTO utility contracts. In each case there will be an assertion of existing rights to be converted either into FTRs or into rights to auction proceeds. In each case there needs to be a procedure for parties to object and for verification and resolution of the rights.

Issue: Appeal Process Issue (continued)

Two variations of the process have been proposed and debated.

The approach in the strawman is more restrictive than the alternative with regard to who has the ability to submit a written protest to the RTO. The strawman requires that a party submitting a protest must be one whose rights might be materially impacted by the proposed conversion. The strawman permits a party not holding rights to submit a request to the RTO to be permitted to file a protest. The strawman defines a specific dispute resolution process, while the alternative references the RTO dispute resolution process. Both agree on the process if no objection is raised



Issue: Appeal Process Issue (continued)

Alternatives: Two alternatives primarily derived from:

The RTO-W shall immediately post the terms and conditions of the assertion of LSO rights or proposed conversion or modification on the RTO-W Website. Such posting shall initiate a twenty-one day period through which the RTO-W, or any party whose rights might be materially impacted by the proposed conversion or modification, may submit written protests to the RTO-W, with an explanation of the basis for the protest and a statement regarding the standing of the party in making the protest. Protests shall be limited to questions of fact as specified in Paragraph _____. The proposed conversion or modification shall not take effect during this period; rather, a set of NCR Instructions



Issue: Appeal Process Issue (continued)

Alternatives: (continued)

developed pursuant to Section ____ will be in effect during this period. However, the NCR instructions shall not reduce or otherwise affect the terms of a preexisting contract.

A party not holding rights that would be materially impacted by the proposed conversion or modification may request the RTO-W to carry its objection by filing a timely request stating the basis for its objection and a statement regarding the interest of the party filing the request. The RTO-W shall review such requests and make a determination on the merits of the request to file or not to file an objection on behalf of the requesting party.



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Questions / Consensus Discussion